



INDIANA  
**WORKFORCE**  
DEVELOPMENT

AND ITS **WorkOne** CENTERS

**FORMAL COMMUNICATION**

**TO:** Indiana's Workforce Investment System

**FROM:** ~~Amy L. Ruback, MA, LMHC~~  
Director of Policy

**DATE:** June 25, 2008

**Technical Assistance Bulletin  
TAB 2007-20  
Federal Training and Education Tax Credits**

***Purpose***

To increase awareness of federal training and education tax credits that may be available to Indiana WorkOne customers, particularly those not eligible for occupational skills training assistance under the Workforce Investment Act (WIA.) Complete information may be found in Training and Employment Notice 42-07 entitled, "Federal Training and Education Tax Credits" issued June 17, 2008.

***Content***

Indiana's workforce investment system provides resources to support training through Individual Training Accounts (ITAs). For WorkOne customers whose training needs cannot be met through ITAs, because of ineligibility, limited WIA resources, or other reasons, two federal tax credit programs, the Hope Credit and the Lifetime Learning Credit, can help offset the costs of higher education for individuals by reducing the amount of income tax owed. Both credits apply to qualified education expenses of the tax filer, the filer's spouse, and the filer's dependents. To qualify, the tax payer must meet modified adjusted gross income limits and meet education enrollment status requirements.

**Hope Tax Credit**

The Hope Tax Credit is a tax credit for the first two years for post-secondary education. Taxpayers who meet modified adjusted gross income limits can subtract up to \$1,650 per student per year in tuition and qualified college costs from the taxes they owe when they file their federal tax returns. The amount of the credit is calculated as follows: 100 percent of the first \$1,100 paid for tuition and qualified expenses, and 50 percent of the next \$1,100, for each student. The tax credit can be claimed for each student claimed on the filed tax return. The student must be enrolled at least half time in an eligible program leading to a degree or certificate.

Mitchell E. Daniels, Jr., Governor  
Teresa L. Voors, Commissioner

10 North Senate Avenue  
Indianapolis, IN 46204-2277  
www.workforce.IN.gov

Phone: 317.232.7670  
Fax: 317.233.4793

An Economic Development Partner

### Lifetime Learning Tax Credit

The Lifetime Learning Tax Credit is a tax credit for tuition and qualified expenses for higher education or career training. There is no limit on the number of years the credit can be claimed. Taxpayers can subtract up to \$2,000 per year in tuition and qualified college costs from the taxes they owe when they file their returns. The tuition and qualified college costs can be associated with more than one student, provided the student is claimed on the tax return. The student(s) must be enrolled in an eligible post-secondary institution, or in any course of instruction at an eligible school to improve or acquire job skills. The student(s) does not need to be pursuing a degree or other recognized education credential. The benefit is calculated as follows: 20 percent of qualified costs up to \$10,000 per tax return filed.

### Resources

Full information about the Hope Tax Credit, the Lifetime Learning Tax Credit, and other tax benefits of higher education can be found in Internal Revenue Service Publication 970, Tax Benefits for Higher Education at: <http://www.irs.gov/publications/p970/ar01.html>. Appropriate forms and filing instructions for the Hope and Lifetime Learning Tax Credits can be found in Internal Revenue Service Form 8863 and Instruction, Education Credits at: <http://www.irs.gov/pub/irs-pdf/f8863.pdf>.

### Action

Staff is requested to provide basic information on federal training and education tax credits that may be available to customers who are not provided Individual Training Accounts or other training services. Questions concerning the tax credits may be addressed to:

Amy L. Smith-Rubeck, MA, LMHC  
Director of Policy  
Indiana Department of Workforce Development  
10 N. Senate Avenue, SE 304  
Indianapolis, IN 46204  
Email: [ARubeck@dwd.IN.gov](mailto:ARubeck@dwd.IN.gov)

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